

Molemole Municipality

Molemole Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2017

## **Molemole Local Municipality**

(Registration number LIM 353)

Annual Financial Statements for the year ended 30 June 2017

### **General Information**

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<b>Legal form of entity</b>	Local Government
<b>Nature of business and principal activities</b>	Performing the functions as set out in the Constitution (Act no 105 of 1996). Providing municipal services and maintaining the best interests of the local community mainly in the Mogwadi area.
<b>Mayor</b>	Cllr M E Paya
<b>Councillors</b>	Cllr E. M Rathaha Cllr M. S . Moreroa Cllr N W Seakamela Cllr M. P Tawana Cllr M D Lehong Cllr N F Rampyapedi Cllr M A Kobo Cllr P T Rathete Cllr R L Mpati Cllr S R Nakana Cllr M Q Malema Cllr M J Manthata Cllr G M Sepheso Cllr N S Ramukhubedu Cllr. S E Kobola Cllr M Duba Cllr P S Maoga Cllr M P Makgato Cllr M L Moabelo Cllr N M Hopane Cllr D Matlou Cllr N G Makgalo Cllr M A Makgoka Cllr T Raphaswana Cllr M D Marutha Cllr M I Mohafe Cllr M D Meso Cllr P T Rakimane Cllr M J Leferela Cllr M C Matjee Cllr M P Tloubatla
<b>Business address</b>	303 Church Street Mogwadi 715
<b>Grading of local authority</b>	Level 3 Local Municipality
<b>Chief Finance Officer (CFO)</b>	Acting CFO : B M M Lethuba
<b>Accounting Officer</b>	Acting MM : M W Ramogale
<b>Postal address</b>	Private Bag X44 Mogwadi

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## **Molemole Local Municipality**

(Registration number LIM 353)

Annual Financial Statements for the year ended 30 June 2017

### **General Information**

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	715
<b>Bankers</b>	Nedbank
<b>Auditors</b>	Office of the Auditor General (Limpopo)

## **Molemole Local Municipality**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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#### **Abbreviations**

COLD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Molemole Local Municipality**

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### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

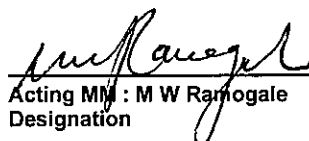
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 61, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2017 and were signed on its behalf by:

  
Acting MM : M W Ramogale  
Designation

## **Molemole Local Municipality**

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Annual Financial Statements for the year ended 30 June 2017

### **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2017.

#### **1. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

#### **2. Accounting policies**

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

## Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

### Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	8	136 520	189 822
Other debtors	6	3 389 801	3 184 215
Receivables from exchange transactions	99	7 866 857	5 677 940
Receivables from non-exchange transactions	109	33 091 921	16 470 852
VAT receivable	11	7 178 710	5 519 565
Cash and cash equivalents	12	55 607 102	35 434 325
		<b>107 270 911</b>	<b>66 476 719</b>
<b>Non-Current Assets</b>			
Investment property	2	1 787 668	1 831 002
Property, plant and equipment	33	186 299 002	147 083 373
Intangible assets	4	402 493	917 987
Heritage assets	5	368 150	368 150
		<b>188 857 314</b>	<b>150 200 512</b>
<b>Total Assets</b>		<b>296 128 225</b>	<b>216 677 231</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	14	294 229	492 159
Payables from exchange transactions	19	16 174 673	10 021 887
Consumer deposits	20	501 449	492 592
Unspent conditional grants and receipts	15	21 755 446	2 018 664
Other Current Liabilities	17	825 096	2 816 730
Current Employee Benefits	18	6 349 620	6 471 094
		<b>45 900 515</b>	<b>22 313 126</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	7	6 976 304	7 015 073
Provisions	16	12 871 578	12 297 892
		<b>19 847 882</b>	<b>19 312 965</b>
<b>Total Liabilities</b>		<b>65 748 397</b>	<b>41 626 091</b>
<b>Net Assets</b>		<b>230 379 828</b>	<b>175 051 140</b>
<b>Reserves</b>			
Revaluation reserve	13	41 894 856	41 894 856
Accumulated surplus		188 484 972	133 156 284
<b>Total Net Assets</b>		<b>230 379 828</b>	<b>175 051 140</b>

\* See Note 41

## Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

### Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	23	8 959 702	7 642 189
Rental of facilities and equipment		268 872	295 195
Interest received - Outstanding debtors		1 574 496	2 554 030
Licences and permits		3 471 446	3 749 004
Commissions received		2 368 846	2 188 588
Actuarial gains		1 335 841	115 307
Other income	24	12 537 472	895 962
Interest received - external investment	25	2 422 613	2 100 559
<b>Total revenue from exchange transactions</b>		<b>32 939 288</b>	<b>19 540 834</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates		13 663 498	10 850 493
<b>Transfer revenue</b>			
Government grants & subsidies	26	152 444 278	140 722 555
Public contributions and donations		17 577 096	2 399 584
Fines		1 212 000	1 877 650
<b>Total revenue from non-exchange transactions</b>		<b>184 896 872</b>	<b>155 850 282</b>
<b>Total revenue</b>	21	<b>217 836 160</b>	<b>175 391 116</b>
<b>Expenditure</b>			
Employee related costs	27	(67 101 145)	(62 456 161)
Remuneration of councillors	28	(10 568 433)	(8 659 340)
Actuarial Losses		-	(65 334)
Depreciation and amortisation	29	(8 517 578)	(7 546 774)
Finance costs	30	(1 062 667)	(925 870)
Debt Impairment	31	(8 026 682)	(14 146 104)
Repairs and maintenance		(5 220 502)	(5 828 037)
Bulk purchases	32	(7 502 657)	(7 775 854)
Contracted services	33	(3 133 474)	(2 901 362)
Loss on disposal of assets		(33 402)	(61 055)
General Expenses		(51 340 930)	(52 763 457)
<b>Total expenditure</b>		<b>(162 507 470)</b>	<b>(163 129 348)</b>
<b>Surplus for the year</b>		<b>55 328 690</b>	<b>12 261 768</b>

\* See Note 41



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### Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	39 671 288	121 061 586	160 732 874
Correction of errors - refer to note 40	-	(167 070)	(167 070)
<b>Restated Balance at 01 July 2015</b>	<b>39 671 288</b>	<b>120 894 516</b>	<b>160 565 804</b>
Changes in net assets			
Revaluation of Assets	2 223 568	-	2 223 568
Surplus for the year	-	12 261 768	12 261 768
<b>Restated* Balance at 01 July 2016</b>	<b>41 894 856</b>	<b>133 156 284</b>	<b>175 051 140</b>
Changes in net assets			
Surplus for the year	-	55 328 688	55 328 688
<b>Balance at 30 June 2017</b>	<b>41 894 856</b>	<b>188 484 972</b>	<b>230 379 828</b>

\* See Note 41

## Molemole Local Municipality

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### Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		27 975 352	13 587 004
Aganang debtors		10 961 274	-
Grants		172 181 060	141 491 583
Interest Income		2 422 613	2 100 559
		<b>202 579 025</b>	<b>157 179 146</b>
<b>Payments</b>			
Suppliers		(140 541 007)	(137 549 229)
Finance costs		(1 062 667)	(925 870)
		<b>(141 603 674)</b>	<b>(138 440 057)</b>
<b>Net cash flows from operating activities</b>	<b>36</b>	<b>60 962 681</b>	<b>18 739 090</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(40 241 088)	(14 002 743)
Purchase of other intangible assets	4	-	(98 631)
<b>Net cash flows from investing activities</b>		<b>(40 241 088)</b>	<b>(14 101 374)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(548 816)	(537 902)
<b>Net cash flows from financing activities</b>		<b>(548 816)</b>	<b>(537 902)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>20 172 777</b>	<b>4 099 814</b>
Cash and cash equivalents at the beginning of the year		35 434 325	31 334 599
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>55 607 102</b>	<b>35 434 413</b>

\* See Note 41

## Molemole Local Municipality

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### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

#### Statement of Financial Performance

##### Revenue

##### Revenue from exchange transactions

Service charges	11 957 021	(2 292 724)	9 664 297	8 959 702	(704 595)	Note 35.1
Rental of facilities and equipment	305 784	(14 891)	290 893	268 872	(22 021)	1.2%
Interest received outstanding debtors	4 871 328	(3 362 606)	1 508 722	1 574 496	65 774	4.4%
Licences and permits	5 971 854	(1 971 854)	4 000 000	3 471 446	(528 554)	Note 35.2
Commissions received	2 220 320	429 525	2 649 845	2 368 846	(280 999)	Note 35.3
Actuarial Gains	-	-	-	1 335 841	1 335 841	Note 35.4
Other income	11 295 234	35 453 288	46 748 522	12 537 472	(34 211 050)	Note 35.5
Interest received - investment	2 345 200	-	2 345 200	2 422 613	77 413	3.3%
<b>Revenue - exchange transactions</b>	<b>38 966 741</b>	<b>28 240 738</b>	<b>67 207 479</b>	<b>32 939 288</b>	<b>(34 268 191)</b>	

##### Revenue - non-exchange transactions

##### Taxation revenue

Property rates	12 383 208	(383 208)	12 000 000	13 663 498	1 663 498	Note 35.6
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##### Transfer revenue

Government grants & subsidies	174 465 000	(183 241)	174 281 759	152 444 278	(21 837 481)	Note 35.7
Public contributions and donations	-	-	-	17 577 096	17 577 096	Note 35.8
Fines, Penalties and Forfeits	1 017 128	-	1 017 128	1 212 000	194 872	Note 35.9

<b>Revenue - non-exchange transactions</b>	<b>187 865 336</b>	<b>(566 449)</b>	<b>187 298 887</b>	<b>184 896 872</b>	<b>(2 402 015)</b>	
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<b>Total revenue</b>	<b>226 832 077</b>	<b>27 674 289</b>	<b>254 506 366</b>	<b>217 836 160</b>	<b>(36 670 206)</b>	
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##### Expenditure

Personnel	(72 455 289)	(3 232 574)	(75 687 863)	(67 101 145)	8 586 718	Note 35.10
Remuneration of councillors	(10 861 205)	(358 470)	(11 219 675)	(10 568 433)	651 242	5.8%
Depreciation and amortisation	(8 480 000)	(498 052)	(8 978 052)	(8 517 578)	460 474	5.1%
Finance costs	(50 000)	(1 000 000)	(1 050 000)	(1 062 667)	(12 667)	1.2%
Debt impairment	(2 300 000)	(4 001 000)	(6 301 000)	(8 026 682)	(1 725 682)	Note 35.11
Repairs and maintenance	(7 552 093)	(728 000)	(8 280 093)	(5 220 502)	3 059 591	Note 35.12
Bulk purchases	(9 299 000)	-	(9 299 000)	(7 502 657)	1 796 343	Note 35.13
Contracted Services	(3 506 327)	-	(3 506 327)	(3 133 474)	372 853	Note 35.14
General Expenses	(41 411 305)	(1 471 176)	(42 882 481)	(51 340 930)	(8 458 449)	Note 35.15

<b>Total expenditure</b>	<b>(155 915 219)</b>	<b>(11 289 272)</b>	<b>(167 204 491)</b>	<b>(162 474 068)</b>	<b>4 730 423</b>	
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<b>Operating surplus</b>	<b>70 916 858</b>	<b>16 385 017</b>	<b>87 301 875</b>	<b>55 362 092</b>	<b>(31 939 783)</b>	
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Loss on disposal of assets and liabilities	-	-	-	(33 404)	(33 404)	
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<b>Surplus</b>	<b>70 916 858</b>	<b>16 385 017</b>	<b>87 301 875</b>	<b>55 328 688</b>	<b>(31 973 187)</b>	
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## Molemole Local Municipality

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Functions	Approved Budget	Adjustments	Final Budget	Actual Amounts	Difference	Reference
<b>Capital Expenditure</b>						
Executive and council	200 000	-	200 000	152 847	(47 153)	Vat difference
Budget and Treasury office	2 270 000	474 425	2 744 425	498 425	(2 246 000)	The Upgrade from Solar was done very late due to long engagements with BCX(The service provider) as they were not part of the list mSCOA compliant vendors
Corporate services	6 780 000	(1 170 000)	5 610 000	4 599 934	(1 010 066)	The records management project was added during adjustment due to revision of MDTG business plan for non - approval of projects not meeting grants conditions in the 3rd quarter
Community and Public safety	7 533 600	7 902 700	15 436 300	3 195 032	(12 241 268)	Challenges with two projects funded by MIG. Mohodi sports complex contractor terminated and Ramokgopa stadium contractor appointed in June due to long engagements with Department Sport
Planning and development	285 000	(285 000)	-	-	-	
Road Transport	51 408 670	1 821 244	53 229 914	27 709 622	(25 520 292)	Challenge with hard rock for mogwadi internal street. Mohodi low level bridge re advertised due to non responsive of bidders.

## Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Electricity	2 250 000	7 543 500	9 793 500	3 922 952	(5 870 548)	Late transfer of projects from disestablished Aganang Municipality for electrification of Cluster 3. Late submission of compliant specification from Eskom Mv Auto Construction of highmast re-advertised
<b>Actual Amount</b>	<b>70 727 270</b>	<b>16 286 869</b>	<b>87 014 139</b>	<b>40 078 812</b>	<b>(46 935 327)</b>	

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## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2017</b>											
<b>Financial Performance</b>											
Property rates	12 383 208	(383 208)	12 000 000	-	-	12 000 000	13 663 498		1 663 498	114 %	110 %
Service charges	11 957 021	(2 292 724)	9 664 297	-	-	9 664 297	8 959 702		(704 595)	93 %	75 %
Investment revenue	2 345 200	-	2 345 200	-	-	2 345 200	2 422 613		77 413	103 %	103 %
Transfers - operational	131 823 000	(1 422 241)	130 400 759	-	-	130 400 759	125 776 752		(4 624 007)	96 %	95 %
Other own revenue	25 681 648	30 390 462	56 072 110	-	-	56 072 110	22 768 973		(33 303 137)	41 %	89 %
<b>Total revenue (excl capital transfers)</b>	<b>184 190 077</b>	<b>26 292 289</b>	<b>210 482 366</b>	<b>-</b>	<b>-</b>	<b>210 482 366</b>	<b>173 591 538</b>		<b>(36 890 828)</b>	<b>82 %</b>	<b>94 %</b>
Employee costs	(72 455 289)	(3 232 574)	(75 687 863)	-	-	(75 687 863)	(67 101 145)		8 586 718	89 %	93 %
Remun of councillors	(10 861 205)	(358 470)	(11 219 675)	-	-	(11 219 675)	(10 568 433)		651 242	94 %	97 %
Debt impairment	(2 300 000)	(4 001 000)	(6 301 000)	-	-	(6 301 000)	(8 026 682)		(1 725 682)	127 %	349 %
Depr & asset impairm	(8 480 000)	(498 052)	(8 978 052)	-	-	(8 978 052)	(8 517 578)		460 474	95 %	100 %
Finance charges	(50 000)	(1 000 000)	(1 050 000)	-	-	(1 050 000)	(1 062 667)		(12 667)	101 %	2 125 %
Bulk purchases	(9 299 000)	-	(9 299 000)	-	-	(9 299 000)	(7 502 657)		1 796 343	81 %	81 %
Other expenditure	(52 469 725)	(2 199 177)	(54 668 902)	-	-	(54 668 902)	(59 728 310)		(5 059 408)	109 %	114 %
<b>Total expenditure</b>	<b>(155 915 219)</b>	<b>(11 289 273)</b>	<b>(167 204 492)</b>	<b>-</b>	<b>-</b>	<b>(167 204 492)</b>	<b>(162 507 472)</b>		<b>4 697 020</b>	<b>97 %</b>	<b>104 %</b>
<b>Surplus/(Deficit)</b>	<b>28 274 858</b>	<b>15 003 016</b>	<b>43 277 874</b>	<b>-</b>	<b>-</b>	<b>43 277 874</b>	<b>11 084 066</b>		<b>(32 193 808)</b>	<b>26 %</b>	<b>39 %</b>
Transfers recognised - capital	42 642 000	1 382 000	44 024 000	-	-	44 024 000	26 667 526		(17 356 474)	61 %	63 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	17 577 096		17 577 096	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers</b>	<b>70 916 858</b>	<b>16 385 016</b>	<b>87 301 874</b>	<b>-</b>	<b>-</b>	<b>87 301 874</b>	<b>55 328 688</b>		<b>(31 973 186)</b>	<b>63 %</b>	<b>78 %</b>

# Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.4 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

- GRAP 25 Employee Benefits
- GRAP 105 Transfers of Functions Between Entities Under Common Control
- GRAP 106 Transfers of Functions Between Entities Not Under Common Control
- GRAP 107 Mergers

Nature of impending changes in accounting policy:

- None.

Impact on the municipality's financial statements once implemented:

- None.

#### 1.5 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may be undertaken in the future, actual results ultimately may differ from these estimates.

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### 1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. However, where an investment property was acquired through a non-exchange transaction (i.e. where municipality acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Transfers are made to or from investment property only when there is a change in use.

For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.



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Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

The following accounting procedures will be followed when the fixed properties are re-valued at an amount that exceeds the current value carried in the Financial Statements:

- The Accumulated Depreciation at the time of revaluation will be set-off against the gross carrying amount of the fixed property.
- The carrying value on the Balance Sheet will be adjusted to the revalued amount of the fixed property.
- The difference between the original amount and the re-valued amount will be credited against a future depreciation reserve.
- All future depreciation on the fixed property will be set off against this future depreciation reserve.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	
• Municipla Buildings	15 - 30 years
• Land	Indefinite

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Infrastructure	
• Roads	5 - 30 years
• Paving On Car Ports	5 - 30 years
• Electricity Network	4 - 45 years
• Single Fase Meters 97/98	2 -20 years
• Water	2 -20 years
• Sewerage	2 - 20 years
• Stormwater	5 - 30 years
Community	
• Community Buildings	15 - 30 years
• Recreational Facilities	20 - 30 years
• Tennis courts	20 - 30 years
• Swimming Pool And Pumps	5 - 10 years
• Security	5 -30 years
• Palisade Fence	3- 10 years
• Guard Room	2 - 30 years
• Parks and gardens	20 -30 years
• Taxi Rank	22 - 30 years
Other property, plant and equipment	
• Gates And Fencing	5 - 10 years
• Air conditioners	5 - 15 years
• Plant and equipment	5 - 30 years
• Security Measures	5 - 30years
• Other vehicles	5 - 15 years
• Specialised Vehicle	10 - 15 years
• Office equipment	5-15 years
• Furniture and fittings	2- 20 years
• Bins and containers	2 -10 years
• Other items of plant and equipment	10 -15 years
• Landfill sites	30 - 45 years
• Computer equipment	3 - 15 years
Finance Leased Assets	
• Office equipment	3 - 7 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from the sale of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.8 Intangible assets

#### Initial Recognition

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An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 7years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

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### **1.9 Heritage assets**

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

### **1.10 Financial instruments**

#### **Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

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### **Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest.

Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends or similar distributions received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

### **Fair value determination**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### **Investments**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### **Trade and Other Receivables**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

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### **Trade Payables and Borrowings**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **1.11 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the Statement of Financial Performance.

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### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### **Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### **1.12 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Subsequent inventories are measured at the lower of cost and net realisable value.

Inventories comprise current assets held for sale or for consumption during the ordinary course of business and are measured at the lower of cost and current replacement cost where they are held for;

- a) distribution at no charge or for a nominal charge; or
- b) consumption in the production process of goods to be distributed at no charge or for a nominal charge

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis for allocating cost to inventory items is the first in first out (FIFO) method.

### **1.13 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Post Retirement Medical Obligation**

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds.

Council pays 70% of the contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.



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These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### **Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### **Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the relevant employee. Accumulated leave is carried forward and can be used in future periods if the current employee's period's entitlement is not used in full. An employee's accumulated leave cannot exceed 48 days. Any days in excess thereof is forfeited. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

### **Staff Bonusses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on the bonus accrued at year end for each employee.

### **Provision for Performance Bonusses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrues. The performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

## **1.14 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

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Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### **1.15 Revenue from non-exchange transactions**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Government grants**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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### **1.16 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

### **1.17 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The Unauthorised expenditure is disclosed in a note to the Annual Financial Statements.

### **1.18 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred, unless if it is recoverable (i.e. receivable), it will be raised as an asset in the Statement of Financial Position. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure will be de-recognised as soon as the nature of the fruitless and wasteful expenditure has been submitted to Council and a formal Council decision has been taken to condone the expenditure. The Fruitless and Wasteful expenditure is disclosed in a note to the Annual Financial Statements.

### **1.19 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The Irregular expenditure is disclosed in a note to the Annual Financial Statements.

### 1.20 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### 1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016-07-01 to 2017-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

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The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.23 Retirement Benefits

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

### 1.24 Impairment of Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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### Notes to the Annual Financial Statements

Figures in Rand 2017 2016

#### 2. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 091 000	(303 332)	1 787 668	2 091 000	(259 998)	1 831 002

#### Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	1 831 001	(43 333)	1 787 668

#### Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	1 874 335	(43 333)	1 831 002

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### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment

	2017		2016	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
<b>Land and Building</b>				
Land	53 145 375	(3 363 780)	49 781 595	(2 368 215)
Buildings	22 256 319	-	22 256 319	-
<b>Infrastructure assets</b>				
Electricity Network	30 889 056	(3 363 780)	27 525 276	(2 368 215)
Roads	80 432 470	(11 247 947)	69 184 523	(9 488 075)
	18 235 713	(2 748 379)	15 487 334	(2 301 399)
	62 196 757	(8 499 568)	53 697 189	(7 186 676)
<b>Community Assets</b>				
Community Buildings	41 208 990	(3 801 087)	37 407 903	(2 739 685)
Recreational Facilities	21 639 731	(2 227 579)	19 412 152	(1 515 475)
Taxi Rank	13 323 756	(1 282 028)	12 041 728	(1 153 734)
	6 245 503	(291 480)	5 954 023	(70 476)
<b>Other Assets</b>				
Air Conditioners	43 534 614	(13 872 792)	29 661 822	(10 078 219)
Computer equipment	478 885	(138 019)	340 866	(95 106)
Furniture and fixtures	3 153 054	(2 030 974)	1 122 080	(1 410 082)
Motor vehicles	2 588 687	(1 143 968)	1 444 719	(1 037 902)
Office equipment	17 769 843	(4 502 086)	13 267 757	(3 253 003)
Plant and Equipment	4 500 653	(2 290 415)	2 210 238	(1 368 257)
Security Measures	11 732 692	(2 650 886)	9 081 806	(1 982 506)
<b>Finance Leased Assets</b>				
Other leased Assets	3 310 800	(1 116 444)	2 194 356	(931 363)
	2 057 847	(1 794 690)	263 157	(1 572 284)
	2 057 847	(1 794 690)	263 157	(1 572 284)
<b>Total</b>	<b>220 379 296</b>	<b>(34 080 296)</b>	<b>186 299 000</b>	<b>(26 246 478)</b>
			<b>173 329 850</b>	<b>147 083 372</b>

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### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions - work in progress	Disposals	Transfers received	Transfers Leased Assets	Depreciation	Total
<b>Land and Building</b>	<b>46 126 119</b>	<b>1 925 123</b>	<b>454 257</b>	-	<b>2 271 660</b>	-	<b>(995 564)</b>	<b>49 781 595</b>
Land	22 256 319	-	-	-	-	-	-	22 256 319
Buildings	23 869 800	1 925 123	454 257	-	2 271 660	-	(995 564)	27 525 276
<b>Infrastructure assets</b>	<b>41 344 662</b>	<b>419 270</b>	<b>29 180 463</b>	-	-	-	<b>(1 759 872)</b>	<b>69 184 523</b>
Electricity Network	12 010 216	419 270	3 503 682	-	-	-	(446 980)	15 487 334
Roads	29 334 446	-	25 676 781	-	-	-	(1 312 892)	53 697 189
<b>Community Assets</b>	<b>36 090 658</b>	<b>-</b>	<b>2 384 647</b>	<b>(5 752)</b>	-	-	<b>(1 061 649)</b>	<b>37 407 903</b>
Community Buildings	20 124 256	-	-	-	-	-	(712 103)	19 412 152
Recreational Facilities	9 785 375	-	2 384 647	(5 752)	-	-	(128 294)	12 041 728
Taxi Rank	6 181 027	-	-	(27 652)	-	-	(221 252)	5 954 023
<b>Other Assets</b>	<b>23 387 247</b>	<b>5 877 328</b>	<b>-</b>	<b>(27 652)</b>	<b>4 344 162</b>	<b>-</b>	<b>(3 919 261)</b>	<b>29 661 822</b>
Air Conditioners	155 114	228 665	-	-	-	-	(42 912)	340 866
Computer equipment	1 263 408	478 737	-	-	827	-	(620 893)	1 122 080
Furniture and fixtures	1 152 352	494 310	-	(12 481)	8 971	-	(198 433)	1 444 719
Motor vehicles	8 682 633	1 499 843	-	-	4 334 364	-	(1 249 082)	13 267 757
Office Equipment	1 862 052	1 317 838	-	(15 171)	-	-	(954 480)	2 210 238
Plant and Equipment	7 892 252	1 857 935	-	-	-	-	(668 379)	9 081 806
Security Measures	2 379 436	-	-	-	-	-	(185 082)	2 194 356
<b>Finance Leased Assets</b>	<b>134 686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>350 877</b>	<b>(222 406)</b>	<b>263 157</b>
Other leased Assets	134 686	-	-	-	-	350 877	(222 406)	263 157
	<b>147 083 372</b>	<b>8 221 721</b>	<b>32 019 367</b>	<b>(33 404)</b>	<b>6 615 822</b>	<b>350 877</b>	<b>(7 958 752)</b>	<b>186 299 000</b>



## Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2016

	Restated Opening balance	Additions	Additions - work in progress	Disposals	Transfers received	Transfers / Revaluations	Revaluations	Restated Depreciation	Restated closing Carrying value
<b>Land and Building</b>	<b>45 985 760</b>	-	<b>603 666</b>	<b>(20 035)</b>	-	-	<b>405 050</b>	<b>(848 323)</b>	<b>46 126 119</b>
Land	21 851 269	-	-	-	-	-	405 050	-	22 256 319
Buildings	24 134 491	-	603 666	(20 035)	-	-	-	(848 323)	23 869 800
<b>Infrastructure assets</b>	<b>39 926 763</b>	<b>945 760</b>	<b>3 103 469</b>	-	-	-	-	<b>(2 631 242)</b>	<b>41 344 662</b>
Electricity Network	10 466 179	945 760	1 008 875	-	-	-	-	(410 510)	12 010 216
Roads	29 460 584	-	2 094 594	-	-	-	-	(2 220 732)	29 334 446
<b>Community Assets</b>	<b>30 699 922</b>	-	<b>4 490 153</b>	-	-	<b>1 414 783</b>	<b>403 735</b>	<b>(917 934)</b>	<b>36 090 659</b>
Community Buildings	20 344 323	-	-	-	-	-	403 735	(623 801)	20 124 257
Recreational Facilities	5 916 519	-	3 965 153	-	-	-	-	(96 297)	9 785 375
Taxi Rank	4 439 080	-	525 000	-	-	1 414 783	-	(197 836)	6 181 027
<b>Other Assets</b>	<b>18 617 837</b>	<b>4 859 695</b>	-	<b>(41 021)</b>	<b>2 370 144</b>	-	-	<b>(2 419 406)</b>	<b>23 387 247</b>
Air Conditioners	183 204	-	-	(12 159)	14 500	-	-	(30 431)	155 114
Computer equipment	796 363	285 166	-	(1 357)	425 880	-	-	(242 644)	1 263 408
Furniture and fixtures	1 204 265	-	-	(10 884)	123 020	-	-	(164 049)	1 152 352
Motor vehicles	8 503 622	-	-	-	1 091 684	-	-	(912 672)	8 682 633
Office equipment	1 017 575	740 598	-	(247)	715 060	-	-	(610 934)	1 862 052
Plant and machinery	4 759 006	3 363 616	-	(16 374)	-	-	-	(213 996)	7 892 251
Security Measures	2 153 802	470 315	-	-	-	-	-	(244 680)	2 379 437
<b>Finance Leased Assets</b>	<b>476 080</b>	-	-	-	-	-	-	<b>(341 394)</b>	<b>134 686</b>
Other leased Assets	476 080	-	-	-	-	-	-	(341 394)	134 686
	<b>135 706 361</b>	<b>5 805 455</b>	<b>8 197 288</b>	<b>(61 056)</b>	<b>2 370 144</b>	<b>1 414 783</b>	<b>808 785</b>	<b>(7 158 299)</b>	<b>147 083 373</b>

## Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment (continued)

##### Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	4 246 516	10 108 024	353 967	14 708 507
Additions/capital expenditure	29 180 464	2 838 904	-	32 019 368
Transferred to completed items	(929 007)	-	-	(929 007)
	<b>32 497 973</b>	<b>12 946 928</b>	<b>353 967</b>	<b>45 798 868</b>

##### Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	1 539 436	13 223 419	511 482	15 274 337
Additions/capital expenditure	3 103 469	5 093 819	470 315	8 667 603
Transferred to completed items	(396 389)	(8 209 214)	(627 830)	(9 233 433)
	<b>4 246 516</b>	<b>10 108 024</b>	<b>353 967</b>	<b>14 708 507</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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#### 4. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 788 310	(1 385 817)	402 493	1 788 311	(870 324)	917 987

#### Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software, other	917 987	(515 493)	402 493

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Transfers received	Amortisation	Total
Computer software, other	1 135 056	98 631	29 440	(345 141)	917 986

#### 5. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	368 150	-	368 150	368 150	-	368 150

#### Reconciliation of heritage assets 2017

	Opening balance	Total
Mayoral Chain	368 150	368 150

#### Reconciliation of heritage assets 2016

	Opening balance	Total
Mayoral Chain	368 150	368 150

## Molemole Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>6. Other Debtors</b>		
Other Debtors consist of the following:		
Sundry Debtors	36 970	82 605
CDM Water Debtor	833 301	622 525
National Treasury Debtor	1 119 645	1 119 645
Traffic Fines	1 375 515	1 323 725
Iron Debtor	24 370	35 715
	<b>3 389 801</b>	<b>3 184 215</b>
<b>CDM Water Debtor reconcilliation</b>		
CDM Water debtor	13 330 541	11 048 636
Less: Allowance for Doubtful Debts	(12 497 240)	(10 426 111)
	<b>833 301</b>	<b>622 525</b>
<b>Reconciliation of provision for impairment of CDM Water Debtor</b>		
Opening balance	10 426 111	6 651 978
Provision for impairment	2 071 129	3 774 133
	<b>12 497 240</b>	<b>10 426 111</b>

## Molemole Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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#### 7. Employee benefit obligations

##### Post-employment Health Care Benefits

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Discovery;
- LA Health;
- Hosmed;
- Samwumed; and
- Keyhealth.

The Municipality's Accrued Unfunded Liability at 30 June 2017 is estimated at R7 056 620. The Current-service Cost for the year ending 30 June 2017 is estimated at R 572 315. It is estimated to be R 600 475 for the ensuing year.

Key actuarial assumptions used:

<b>Rate of Interest</b>		
Discount Rate	9.98%	9.74%
Health Care Cost	8.24%	8.74%
Net Effective Discount Rate	1.60%	0.92%

The amount recognised in the Statement of Financial Position are as follows:

##### Present Value of fund obligations

Opening Balance	7 056 620	7 112 585
	<b>7 056 620</b>	<b>7 112 585</b>
Present Value at Fund obligation at the beginning of the year	7 112 585	6 187 523
Total Expenses	1 205 575	1 040 369
Current Service Cost	572 315	546 880
Interest Cost	687 787	563 713
Benefits Paid	(54 527)	(70 224)
Actuarial (gains) / losses	(1 261 540)	(115 307)
Present value of fund obligation at the end of the year	7 056 620	7 112 585
Less : transfer of current portion	(80 316)	(97 512)
<b>Balance 30 June</b>	<b>6 976 304</b>	<b>7 015 073</b>

#### 8. Inventories

Consumable Stores - Stationery and materials - At cost	136 520	189 822
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##### Inventory pledged as security

No inventory assets were pledged as security for liabilities

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>9. Receivables from exchange transactions</b>		
Trade debtors	7 866 857	5 677 940
<b>Service Receivables</b>		
Electricity	5 048 021	4 085 044
Refuse	6 861 800	5 229 980
Less: Allowance for Doubtful Debts	(6 208 071)	(5 086 930)
	<b>5 701 750</b>	<b>4 228 094</b>
<b>Other Receivables</b>		
Other arrears	4 522 478	3 194 192
Less: Allowance for Doubtful Debts	(2 357 371)	(1 744 346)
	<b>2 165 107</b>	<b>1 449 846</b>
<b>Total Net Trade Debtors from Exchange Transactions</b>		
Service Receivables	5 701 750	4 228 094
Other Receivables	2 165 107	1 449 846
	<b>7 866 857</b>	<b>5 677 940</b>
<b>Electricity: Ageing</b>		
Current (0 - 30 days)	434 832	156 094
31 - 60 days	162 511	122 741
61 - 90 days	110 947	110 833
+90 days	4 339 730	3 695 376
<b>Total</b>	<b>5 048 020</b>	<b>4 085 044</b>
<b>Refuse: Ageing</b>		
Current (0 - 30 days)	302 396	143 449
31 - 60 days	146 889	141 010
61 - 90 days	145 974	139 747
+90 days	6 266 541	4 805 775
<b>Total</b>	<b>6 861 800</b>	<b>5 229 981</b>
<b>Other Debtors: Ageing</b>		
Current (0 - 30 days)	182 973	126 405
31 - 60 days	87 956	122 638
61 - 90 days	85 560	121 091
+90 days	4 165 989	2 824 057
<b>Total</b>	<b>4 522 478</b>	<b>3 194 191</b>

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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#### 10. Receivables from non-exchange transactions

Trade Debtors - Property Rates	33 091 921	16 470 852
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#### Property Rates Receivables

Taxes - Rates	56 605 138	36 287 363
Less: Allowance for Doubtful Debts	(23 513 217)	(19 816 511)
	<b>33 091 921</b>	<b>16 470 852</b>

#### Ageing of Receivables from Non-Exchange Transactions

##### Rates: Ageing

Current (0 - 30 days)	1 829 784	902 605
31 - 60 days	908 885	866 810
61 - 90 days	906 407	856 450
+90 days	52 960 062	33 661 498
<b>Total</b>	<b>56 605 138</b>	<b>36 287 363</b>

Debts are required to be settled after 30 days, interest is charged after this date at 10%. The fair value of trade and other receivables approximates their carrying amounts.

#### 11. VAT receivable

Opening Balance	5 519 565	514 058
Change during the year	1 659 145	5 005 507
	<b>7 178 710</b>	<b>5 519 565</b>

VAT is claimable on the invoice basis. VAT is claimed from SARS once an invoice has been received from creditors.

#### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	557	9 347
Bank balances	33 602 753	9 265 130
Call investment deposits	22 003 792	26 159 848
	<b>55 607 102</b>	<b>35 434 325</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Nedbank - Primary Account 146 700 0442	14 942 119	10 850 656	7 000 442	14 044 109	6 113 245	1 863 728
Nedbank Grants Account 1013994825	19 558 724	3 151 885	7 886 065	19 558 644	3 151 885	14 650 108
Nedbank Call Investment Deposit	22 003 792	26 159 848	14 810 843	22 003 792	26 159 848	14 810 843
<b>Total</b>	<b>56 504 635</b>	<b>40 162 389</b>	<b>29 697 350</b>	<b>55 606 545</b>	<b>35 424 978</b>	<b>31 324 679</b>

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>13. Revaluation reserve</b>		
Opening balance	41 894 856	39 671 288
Change during the year	-	2 223 568
	<b>41 894 856</b>	<b>41 894 856</b>
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	444 548	540 478
	444 548	540 478
less: future finance charges	(150 319)	(48 319)
<b>Present value of minimum lease payments</b>	<b>294 229</b>	<b>492 159</b>
Non-current liabilities	-	-
Current liabilities	294 229	492 159
	<b>294 229</b>	<b>492 159</b>

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest Rate	Lease Term	Maturity Date
Datamaster Office Automation	Photocopy machine	9,16%	1 Years	31-03-2018
Datamaster Office Automation	Photocopy machine	9,16%	1 Years	31-03-2018

### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant	15 974 474	91 280
Finance Management Grant	272 482	110 925
CDM - Taxi Rank	-	10 940
CDM - Mogwadi Community Hall	32 435	32 435
Expanded public works program	1 279	6 256
CDM Operational and Maintenance	1 098 405	1 098 405
Integrated transport plan	108 614	500 000
Audit Committee Facilities	35 200	148 288
Community Waste collection	37 190	20 135
Municipal demarcation grant	4 195 367	-
	<b>21 755 446</b>	<b>2 018 664</b>

### Movement during the year

Balance at the beginning of the year	2 018 664	3 649 220
Additions during the year	172 192 000	139 833 857
Conditions met Operating	(124 939 940)	(111 171 445)
Conditions met Capital	(27 295 877)	(29 551 111)
Adjustments / Corrections	(219 402)	(741 858)
	<b>21 755 446</b>	<b>2 018 664</b>

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.



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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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#### 16. Provisions

##### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Transfer to current portion	Total
Landfill site rehabilitation	9 831 391	491 570	-	-	10 322 961
Employee benefit cost	2 466 501	541 248	(129 071)	(330 061)	2 548 617
	<b>12 297 892</b>	<b>1 032 818</b>	<b>(129 071)</b>	<b>(330 061)</b>	<b>12 871 578</b>

##### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Landfill site rehabilitation	6 481 380	3 350 011	-	9 831 391
Employee benefit cost	2 203 076	393 995	(130 570)	2 466 501
	<b>8 684 456</b>	<b>3 744 006</b>	<b>(130 570)</b>	<b>12 297 892</b>

#### Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of

R 10 322 960 (2015: R 9 831 391) to restore the site at the end of its useful life, estimated to be in the 2025 (soekmekaar landfill site) and 2032 (Dendron Landfill site) financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

#### Long Service Bonus

The Long Service Bonus plans are defined benefit plans. As at year end, 146 employees were eligible for Long Service Bonuses.

The Employer's Unfunded Accrued Liability at 30 June 2017 is estimated at R 2 945 085. The Current-service Cost for the year ending 30 June 2017 is estimated at R 320 898. It is estimated to be R 319 783 for the ensuing year.

Key actuarial assumptions used:

##### Rate of interest

Discount Rate	8.48%	8.68%
General Salary Inflation (long Term)	6.30%	7.45%
Nett Effective Discount Rate Applied to Long Service Bonusses	2.05%	1.14%

The amounts recognised in the Statement of Financial Position are as follows:

<b>Present Value of fund obligation</b>		
Balance	2 945 085	2 607 208
<b>Net liability / (asset)</b>	<b>2 945 085</b>	<b>2 607 208</b>

Reconciliation of present value of fund obligation:

##### Reconciliation fo present Value of fund obligation

Present value of fund obligation at teh beginning of the year	2 607 208	2 203 076
Total expenses	412 177	338 798
Curent service cost	320 898	293 371
Interest Cost	220 350	175 997
Benefits paid	(129 071)	(130 570)

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### Notes to the Annual Financial Statements

Figures in Rand

#### 16. Provisions (continued)

Actuarial Losses / (Gain)	(74 300)	65 334
Present Value of Fund obligation	2 945 085	2 607 208
Less : Transfer of current portion	(396 468)	(140 707)
<b>Balance 30 June</b>	<b>2 548 617</b>	<b>2 466 501</b>

#### 17. Other current liabilities

Receipt reversal suspense	14	14
Salary suspense account	(63)	(3 509)
Injuries on duty	(1)	429
Unallocated receipts	804 079	2 819 902
Prior year roll over	-	(106)
	<b>825 096</b>	<b>2 816 730</b>

#### 18. Current Employee Benefits

Current Portion of Post Retirement Health Care benefits	80 316	97 512
Current Portion of Long Service Provisions	393 079	140 707
Staff Leave	5 876 225	6 232 875
<b>Total Current Employee Benefits</b>	<b>6 349 620</b>	<b>6 471 094</b>

The movement in current employee benefits are reconciled as follows:

<b>Provision for Staff Leave</b>		
Balance at the beginning of the year	6 232 875	5 539 159
Contribution to current portion	571 033	817 057
Expenditure during the year	(927 683)	(123 341)
<b>Balance at end of year</b>	<b>5 876 225</b>	<b>6 232 875</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

#### 19. Payables from exchange transactions

Trade payables	7 144 086	3 372 377
Payments received in advanced	747 663	952 556
Retention Creditors	6 417 278	3 886 635
Prepaid electricity not used	185 858	164 774
Bonus Accruals	1 210 405	1 176 162
Creditor National Treasury	469 383	469 383
	<b>16 174 673</b>	<b>10 021 887</b>

#### 20. Consumer deposits

Electricity	501 449	492 592
	<b>501 449</b>	<b>492 592</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts

#### 21. Revenue

Service charges	8 959 702	7 642 189
Rental of facilities and equipment	268 872	295 195

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>21. Revenue (continued)</b>		
Interest received - outstanding debtors	1 574 496	2 554 030
Licences and permits	3 471 446	3 749 004
Commissions received	2 368 846	2 188 588
Actuarial Gain	1 335 841	115 307
Other income	12 537 472	895 962
Interest received - investment	2 422 613	2 100 559
Property rates	13 663 498	10 850 493
Government grants & subsidies	152 444 278	140 722 555
Public contributions and donations	17 577 096	2 399 584
Fines	1 212 000	1 877 650
	<b>217 836 160</b>	<b>175 391 116</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	8 959 702	7 642 189
Rental of facilities and equipment	268 872	295 195
Interest received - Outstanding debtors	1 574 496	2 554 030
Licences and permits	3 471 446	3 749 004
Commissions received	2 368 846	2 188 588
Actuarial Gain	1 335 841	115 307
Other income	12 537 472	895 962
Interest received - investment	2 422 613	2 100 559
	<b>32 939 288</b>	<b>19 540 834</b>

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	13 663 498	10 850 493
<b>Transfer revenue</b>		
Government grants & subsidies	152 444 278	140 722 555
Public contributions and donations	17 577 096	2 399 584
Fines	1 212 000	1 877 650
	<b>184 896 872</b>	<b>155 850 282</b>

## 22. Property rates

### Rates received

Property rates	13 663 498	10 850 493
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## 23. Service charges

Sale of electricity	7 129 408	6 090 468
Refuse removal	1 830 294	1 551 721
	<b>8 959 702</b>	<b>7 642 189</b>

## 24. Other income

Advertising signs	-	2 502
Building Plan Fees	23 960	16 640
Clearance Certificates	6 461	7 946
Grave Fees	8 205	13 608
Legal Fees Recouped	236 976	-
Library membership fees	1 457	18 532

## Molemole Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>24. Other income (continued)</b>		
New Connections	42 804	365 539
Aganang Contribution	11 955 051	-
Penalties	1 194	406
Re-Connections	283	12 798
Sale Of Pre-paid Meters	13 516	16 700
Sundry	10 000	-
Skills Development Levy Refund	122 594	170 356
Refund of tracker	11 273	3 034
Tender Documents	100 264	251 567
Town Planning Fees	3 434	16 334
	<b>12 537 472</b>	<b>895 962</b>
<b>25. Interest received - external investment</b>		
Interest revenue		
Interest received - External investments	2 422 613	2 100 559
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	117 668 462	106 286 857
Municipal Infrastructure Grant	1 132 086	1 344 460
Finance Management Grant	1 897 518	1 241 657
Municipal System Improvement Grant	-	930 000
Community Waste collection	332 945	123 015
Audit Committee Facilities	113 088	251 712
Integrated Transport Plan	391 386	-
Expanded Public Works Program	1 380 721	993 744
Municipal Demarcation grant	2 232 195	-
	<b>125 148 401</b>	<b>111 171 445</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	25 535 440	28 902 117
Finance Management Grant	63 000	247 418
CDM - Taxi Rank	-	401 576
Municipal Demarcation grant	1 697 437	-
	<b>27 295 877</b>	<b>29 551 111</b>
	<b>152 444 278</b>	<b>140 722 556</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	34 775 816	34 435 699
Unconditional grants received	117 668 462	106 286 857
	<b>152 444 278</b>	<b>140 722 556</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services for the geographical area concerned.

## Molemole Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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#### 26. Government grants and subsidies (continued)

##### Equitable Share

Current-year receipts	117 460 000	106 286 857
Conditions met - transferred to revenue	(117 460 000)	(106 286 857)
	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

##### Municipal Infrastructure Grant

Balance unspent at beginning of year	91 281	658 586
Current-year receipts	42 642 000	30 017 000
Conditions met - transferred to revenue	(1 132 086)	(1 344 460)
Conditions met - transferred to capital	(25 535 440)	(28 902 117)
Adjustments/Returned to National revenue fund	(91 281)	(337 729)
	<b>15 974 474</b>	<b>91 280</b>

Conditions still to be met - remain liabilities (see note 15).

Municipal Infrastructure Grant received with conditions to be met.

##### Finance Management Grant

Balance unspent at beginning of year	110 925	-
Current-year receipts	2 233 000	1 600 000
Conditions met - transferred to revenue	(1 897 518)	(1 241 657)
Conditions met - transferred to capital	(63 000)	(247 418)
Adjustments/Returned to National revenue fund	(110 925)	-
	<b>272 482</b>	<b>110 925</b>

Conditions still to be met - remain liabilities (see note 15).

Finance Management Grant received with conditions to be met.

##### Municipal System Improvement Grant

Balance unspent at beginning of year	-	404 128
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
Other	-	(404 128)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Municipal System Improvement Grant received with conditions to be met.

##### CDM - Taxi Rank

Balance unspent at beginning of year	10 940	412 516
Conditions met - transferred to capital	-	(401 576)
Adjustments	(10 940)	-
	-	<b>10 940</b>

## Molemole Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>26. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 15).		
CDM - Taxi Rank grant received with conditions to be met.		
<b>CDM - Mogwadi Community Hall</b>		
Balance unspent at beginning of year	32 435	32 435
Conditions still to be met - remain liabilities (see note 15).		
CDM - Mogwadi Community Hall grant received with conditions to be met.		
<b>Community Waste collection</b>		
Balance unspent at beginning of year	20 135	143 150
Current-year receipts	350 000	-
Conditions met - transferred to revenue	(332 945)	(123 015)
	<b>37 190</b>	<b>20 135</b>
Conditions still to be met - remain liabilities (see note 15).		
Community Waste collection grant received with conditions to be met.		
<b>Audit Committee Facilities</b>		
Balance unspent at beginning of year	148 288	400 000
Conditions met - transferred to revenue	(113 088)	(251 712)
	<b>35 200</b>	<b>148 288</b>
Conditions still to be met - remain liabilities (see note 15).		
Audit Committee Facilities grant received with conditions to be met.		
<b>Integrated Transport Plan</b>		
Balance unspent at beginning of year	500 000	500 000
Conditions met - transferred to revenue	(391 386)	-
	<b>108 614</b>	<b>500 000</b>
Conditions still to be met - remain liabilities (see note 15).		
Integrated transport plan grant received with conditions to be met.		
<b>Expanded Public Works Program</b>		
Balance unspent at beginning of year	6 256	-
Current-year receipts	1 382 000	1 000 000
Conditions met - transferred to revenue	(1 380 721)	(993 744)
Adjustments/Returned to National revenue fund	(6 256)	-
	<b>1 279</b>	<b>6 256</b>
Conditions still to be met - remain liabilities (see note 15).		
Expanded Public Works Program received with conditions to be met.		

## Molemole Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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#### 26. Government grants and subsidies (continued)

##### CDM Operational and Maintenance (Water)

Balance unspent at beginning of year	1 098 405	1 098 405
	<b>1 098 405</b>	<b>1 098 405</b>

Conditions still to be met - remain liabilities (see note 15).

CDM Operational and Maintenance (Water) received with conditions to be met.

##### Municipal Demarcation grant

Current-year receipts	8 125 000	-
Conditions met - transferred to revenue	(2 232 196)	-
Conditions met - transferred to capital	(1 697 437)	-
	<b>4 195 367</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 15).

Grant received in respect of the demarcation of Aganang Municipality. Molemole municipality took over 2 wards.

#### 27. Employee related costs

Basic Salaries	40 497 157	38 794 369
Annual Bonus	3 827 714	2 939 645
Housing Subsidy	118 720	92 000
Subsistence and Travel Claim	2 069 049	1 429 611
Overtime payments	1 237 075	919 299
Telephone/Cellphone Allowance	893 288	891 869
Acting allowances	135 286	50 960
Leave pay provision charge	567 646	808 961
Standby Allowance	164 125	162 783
Travelling/Vehicle Allowance	3 631 095	3 454 906
Long-service awards	893 213	543 544
Clothing Allowance	6 000	6 000
Industrial/Bargaining Council	14 347	13 549
Unemployment Insurance Fund	277 211	257 402
Medical aid - company contributions	2 916 715	2 580 102
Pension Funds	7 293 005	6 770 228
Skills Development Levy	600 721	556 545
Interns Salaries: FMG	387 277	423 400
Danger Allowance	109 000	96 250
PMU - MIG Salaries	1 077 578	1 259 955
Laptop Allowance	384 923	404 783
	<b>67 101 145</b>	<b>62 456 161</b>

Municipal Manager is appointed on a 3-year fixed contract and the Director Community Services, Director Corporate Services and Director Finance on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

##### Remuneration of Municipal Manager

Annual Remuneration	878 902	878 902
Travel, motor car , accomodation , subsistence and other allowance	229 728	226 082
	<b>1 108 630</b>	<b>1 104 984</b>

## Molemole Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>27. Employee related costs (continued)</b>		
<b>27. Employee related costs (continued)</b>		
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration	982 211	982 211
Travel, motor car , accomodation , subsistance and other allowance	300 388	308 621
	<b>1 282 599</b>	<b>1 290 832</b>
<b>Remuneration of Manager Technical Services</b>		
Annual Remuneration	803 751	741 617
Travel, motor car , accomodation , subsistance and other allowance	310 447	345 298
	<b>1 114 198</b>	<b>1 086 915</b>
<b>Remuneration of Manager Corporate Services</b>		
Annual Remuneration	878 824	792 797
Travel, motor car , accomodation , subsistance and other allowance	272 808	301 166
	<b>1 151 632</b>	<b>1 093 963</b>
<b>Remuneration of Manager Community Services</b>		
Annual Remuneration	492 229	822 730
Travel, motor car , accomodation , subsistance and other allowance	160 743	275 977
	<b>652 972</b>	<b>1 098 707</b>
<b>Remuneration of Manager Local Economic Development</b>		
Annual Remuneration	965 609	889 925
Travel, motor car , accomodation , subsistance and other allowance	194 036	194 287
	<b>1 159 645</b>	<b>1 084 212</b>
<b>28. Remuneration of councillors</b>		
Executive Major	779 276	819 443
Chief Whip	587 758	649 161
Mayoral Committee Members	2 619 323	1 825 853
Speaker	639 481	765 294
Councillors	5 942 595	4 599 589
	<b>10 568 433</b>	<b>8 659 340</b>
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	7 958 752	7 039 906
Investment property	43 333	43 333
Intangible assets	515 493	463 535
	<b>8 517 578</b>	<b>7 546 774</b>
<b>30. Finance costs</b>		
Finance leases	139 846	164 895
Other interest paid	14 684	21 265



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Figures in Rand	2017	2016
<b>30. Finance costs (continued)</b>		
Interest on post retirement benefits	908 137	739 710
	<b>1 062 667</b>	<b>925 870</b>
<b>31. Debt impairment</b>		
Debt impairment - Traffic Fines	545 599	1 338 175
Debt impairment - provision	5 430 871	39 455 717
Bad debts written off	-	(26 647 788)
Debt impairment - provision - CDM	2 071 129	-
	<b>8 047 599</b>	<b>14 146 104</b>
The council approved the debt writte of in respect of uncollectable services and its interest.		
<b>32. Bulk purchases</b>		
Electricity - Eskom	7 502 657	7 775 854
<b>33. Contracted services</b>		
Security Services	3 133 474	2 901 362
<b>34. General expenses</b>		
Accomodation and Meals	1 410 607	610 249
Accomodation and Meals : FMG	-	270 732
Advertising	496 558	146 362
Advertising : Recruitment	116 516	52 518
Affiliation & Membership Fees : SALGA	822 925	765 543
Audit Committees Expenses	331 870	303 018
Audit Fees - External	1 925 948	2 487 510
Bank charges	303 840	288 562
Beautification Plan	-	172 500
Bill: Municipal Electricity	386 151	372 633
Bill: Municipal Water	82 962	64 264
Audit of community facilities	99 200	220 800
COIDA	500 000	518 320
Career Exhibition	1 000	147 000
Cash Management Services	10 307	119 372
Catering General	59 030	57 141
Building Plans	311 135	-
Consolidation of consumer accounts	191 000	-
Cleaning Materials	378 288	269 572
Commission Paid	497 016	463 614
Conferences and seminars	173 907	-
Consultancy Fees	927 192	742 715
Credit control and debt collection	86 660	-
Data Cleansing	529 546	964 314
Departmental: Electricity	2 014	30
Departmental: Water	25 788	12 797
EAP	92 684	65 001
Employee bursary scheme	66 940	-
Environmental & Waste Management	1 070 505	500 825
Free Basic Electricity	3 739 011	2 675 560
Free Basic Water	113 513	154 227
Fuel and Oil: Municipal Fleet	1 720 800	1 472 000

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<b>33. Contracted services (continued)</b>		
Fuel and Oil: Other	5 710	6 049
IDP Expenditure	1 153 600	715 785
ITC Wireless Solutions	-	19 120
Insurance - General	905 315	839 840
Intergrated Transport Plan	355 241	-
Investor Co-ordination	305 200	304 518
LED Support Fund	45 026	38 570
Legal Expenses	771 816	530 577
Licences - Vehicles	91 903	111 950
Mandela Day	56 592	42 129
Marketing	283 178	299 846
Mayoral Bursary	391 531	568 162
Membership Fees	3 250	4 168
Other general expenses	1 019 217	526 820
Plant Hire	22 509	22 737
Policies and By-Laws	-	2 443
Postage and Telephone	406 214	308 056
Printing, Publication & Marketing	548 751	372 585
Promotions and sponsorships	350 311	331 795
Protective clothing	3 000	353 644
Public Participation	1 395 820	835 550
RAL Roads expenditure	15 043 549	21 346 015
Re-Pegging of sites	553 435	81 699
Rehabilitation cost	491 570	3 350 011
Rental Building	-	5 600
Rental Office Machines : Usage	98 643	86 036
Research and development costs	741 323	-
Revaluation of Infrastructure Assets	189 810	835 064
Scoa implementation:fmg	2 054 031	-
Special Focus - Woman	517 995	534 880
Stationery	874 457	730 505
Subscriptions and Systems Licencing	547 279	534 475
Subsistence and Travelling - Other	84 155	30 622
Telephone Management System	430 224	293 235
Township establishment	85 100	297 850
Tracking Device System	94 245	62 282
Training SMME	157 004	179 000
Training and Conferences	530 168	493 808
Training and Education : FMG	149 691	339 013
Transport and freight	163 069	65 795
Valuation Roll Costs	1 028 420	690 844
Ward Committee Expenses	2 919 665	2 655 200
	<b>51 340 930</b>	<b>52 763 457</b>

### 35. Budget differences

#### 35.1 Service Charges

The municipal decision on the improvement of cash flow has led to the decrease on electricity revenue. Customers are expected to buy electricity and the usage is being monitored by them continuously

#### 35.2 Licences and permits

The Municipality is having an ENATIS system problem which emanated after the appointment of the new service provider and the problem has been persistent for consecutive months. The Department of Road and Transport is currently assisting the traffic municipal department in resolving the matter.

#### 35.3 Commissions Recieved

Flactuations of water pressure due to lack of sustainable water supply sources.

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### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>34. General expenses (continued)</b>		
<b>35.4 Actuarial Gains</b>		
Gain from actuarial report not foreseen during budget process		
<b>35.5 Other Income</b>		
The municipal process of selling stands was not finalized by the Municipality and the non-selling of stands in the current financial year lead to the decrease in revenue collected. An amount of R23 528 235.00 is surplus cash and investment for roll over projects which is actual cash, therefore no actual movement will show on the trial balance		
<b>35.6 Property Rates</b>		
<b>35.7 Government grants &amp; subsidies</b>		
Challenges with two projects funded by MIG . Mohodi sports compex contractor terminated and Ramokgopa stadium contractor appointed in June due to long		
<b>35.8 Public contributions and donations</b>		
Public contributions emanated from Aganang transferred assets and properties which were not taken care of during adjustment budget as the report of alignment of assets from Aganang was not finalised by then.		
<b>35.9 Fines ,Penalties and Forfeits</b>		
Assumptions was done based on the previous financial years actual movement and due to traffic officers experience and skills development the number of tickets issued increased.		
<b>35.10 Personell</b>		
Vacant and funded positions not filled		
<b>35.11 Debt Impairment</b>		
IR2, 386,627.42 was impaired by the District (CDM) and it was not anticipated by the municipality		
<b>35.12 Repairs and maintenance</b>		
Most of the budget was planned as and when the need arise. There was no expenditure on Repair and maintenance of highmast light since the highmast light was not acquired		
<b>35.13 Bulk Purchases</b>		
VAT differences		
<b>35.14 Contracted services</b>		
VAT differences		
<b>35.15 General expenses</b>		
Reallocation of RAL road from capital expenditure to operational expenditure		
<b>36. Cash generated from operations</b>		
Surplus	55 328 688	12 274 305
<b>Adjustments for:</b>		
Depreciation and amortisation	8 517 578	7 569 281
Gain/(Loss) on disposal of assets	33 402	109 139
Debt impairment	8 026 682	14 146 104
Movements in retirement benefit assets and liabilities	(160 243)	925 062
Movements in provisions	573 686	3 623 570
Donated assets	(17 577 096)	(2 399 584)
<b>Changes in working capital:</b>		
Inventories	53 302	24 796
Receivables from exchange transactions	(2 188 917)	(4 159 604)
Consumer debtors	(8 232 268)	(1 311 988)

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Figures in Rand	2017	2016
<b>36. Cash generated from operations (continued)</b>		
Other receivables from non-exchange transactions	(16 621 069)	(7 791 595)
Prepayments	10 961 274	-
Payables from exchange transactions	6 152 802	2 349 555
VAT	(1 659 145)	(5 005 508)
Unspent conditional grants and receipts	19 736 782	(1 630 557)
Consumer deposits	8 857	16 114
Other Current Liabilities	(1 991 634)	-
	<b>60 962 681</b>	<b>18 739 090</b>
<b>37. Commitments</b>		
<b>Capital Commitments</b>		
<b>Commitments in respect of Capital Expenditure</b>		
• Infrastructure	39 179 807	35 167 380
<b>This expenditure will be financed from:</b>		
Government Grants	39 179 807	35 167 380
<b>Operating Commitments</b>		
• Commitments in respect of operating expenditure	10 970 074	9 727 413
<b>This expenditure will be financed from :</b>		
Own Revenue	10 970 074	9 727 413
<b>Total commitments</b>		
Authorised capital expenditure	39 179 807	35 167 380
Authorised operational expenditure	10 970 074	9 727 413
	<b>50 149 881</b>	<b>44 894 793</b>
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	298 772	358 526
- in second to fifth year inclusive	-	298 772
	<b>298 772</b>	<b>657 298</b>
<b>38. Contingencies</b>		
Contingent Liability	990 000	510 000
For more information see supplementary schedule 1 attached		
Contingent Asset	520 000	430 000
For more information see supplementary schedule 2 attached		

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Figures in Rand	2017	2016
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#### 39. Related parties

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents

#### Compensation to accounting officer and other key management

Remuneration	-	-	17 517 487	15 807 484
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#### Key management information

##### Remuneration of Municipal Manager

Annual Remuneration		878 902	878 902
Travel, motor car, accomodation ,subsistence and other allowances		229 728	221 807
S & T		3 825	4 275
		-	-
		<b>1 112 455</b>	<b>1 104 984</b>

##### Remuneration of Chief Financial Officer

Annual Remuneration		982 211	982 211
Travel, motor car, accomodation , subsistence and other allowances		300 388	305 471
S & T		900	3 150
		<b>1 283 499</b>	<b>1 290 832</b>

#### 2017

##### Remuneration of individual Executive Directors

	Local Economic Development	Technical Services	Corporate Services	Community Services
Annual remuneration	965 609	803 751	878 824	492 229
Performance and other bonuses	-	-	66 148	68 456
Travel, motor car, accommodation, subsistence and other allowances	102 933	310 447	206 660	92 287
S & T	675	675	1 350	-
	<b>1 069 217</b>	<b>1 114 873</b>	<b>1 152 982</b>	<b>652 972</b>

#### 2016

	Local Economic Development	Technical Services	Corporate Services	Community Services
Annual Remuneration	889 925	741 617	792 797	822 731
Performance and other bonuses	-	-	66 148	68 456
Travel, motor car, accommodation, subsistence and other allowances	192 937	344 847	233 440	205 945
S & T	1 350	450	1 578	1 575
	<b>1 084 212</b>	<b>1 086 914</b>	<b>1 093 963</b>	<b>1 098 707</b>

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#### 39. Related parties (continued)

##### 2017

##### Remuneration of Councillors

Mayor (MP Makgato Jul 2016 - August 2016 ) remuneration , pension , cellphone allowance and housing allowance	100 451
Mayor ( ME PAYA August 2016- july 2017) remuneration , pension , cellphone allowance and housing allowance	736 076
Speaker ( M S Moreroa August 2016- July 2017) remuneration , pension , cellphone allowance and housing allowance	567 719
Speaker (L Moabelo Jul 2016- August 2016) remuneration , pension , cellphone allowance and housing allowance	84 125
Chief Whip(Rathaha August 2016- July 2017) remuneration , pension , cellphone allowance and housing allowance	534 710
Chief Whip(P Rakubu July2016 - August 2016)remuneration , pension , cellphone allowance and housing allowance	65 413
Councillors allowance and remuneration	8 516 798
Disbursements of councillors	526 183
	<b>11 131 475</b>

Related party per Councillor	Basic Salary	Allowances	S & T	Total 2017
M EPaya	524 174	211 902	6 423	742 499
MP Makgato	220 164	101 142	14 037	335 343
M S Moreroa	399 808	167 911	8 431	576 150
E M Rathaha	375 051	159 659	31 962	566 672
P T Rathete	201 221	90 682	25 755	317 658
M A Kobo	208 908	93 244	40 951	343 103
N F Rampyapedi	367 872	146 232	22 244	536 348
L Moabelo	207 938	97 042	3 828	308 808
P Rakubu	45 848	19 565	4 223	69 636
Rathete	-	-	-	-
D Lehong	392 464	157 221	12 860	562 545
D Matlou	184 370	87 857	2 534	274 761
R Moseamo	25 336	11 398	-	36 734
A Phihlela	25 336	11 398	-	36 734
M Mapara	19 163	9 341	-	28 504
S Senwamadi	19 163	9 341	-	28 504
N G Makgalo	178 215	85 805	909	264 929
M Tawana	228 071	102 424	16 720	347 215
C Matjee	178 215	85 805	-	264 020
P Mehale	19 163	9 341	-	28 504
J Hlapa	19 163	9 341	-	28 504
M P Nkoana	19 163	9 341	-	28 504
A Moyo	19 163	9 341	-	28 504
M Maila	19 163	9 341	-	28 504
N E Ramalepe	19 163	9 341	-	28 504
A Mahlophe	19 163	9 341	-	28 504
E Rahlana	19 163	9 341	-	28 504
A Makgoka	178 215	85 805	17 234	281 254
M Masekela	19 163	9 341	-	28 504
M Malema	177 644	85 454	1 575	264 673
M E Mphelo	19 163	9 341	-	28 504
N W Seakamela	387 035	155 412	16 996	559 443
M Duba	178 215	85 805	2 250	266 270
M Duba	-	-	-	-
P T Rakimane	159 034	76 619	40 745	276 398
M I Mohafe	159 034	79 217	13 917	252 168
R L Mpati	159 034	76 619	13 522	249 175
M J Manthata	159 034	76 619	1 575	237 228

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### Notes to the Annual Financial Statements

Figures in Rand			2017	2016
<b>39. Related parties (continued)</b>				
P S Masoga	159 034	76 619	21 273	256 926
M J Leferela	159 034	76 619	36 046	271 699
N S Ramukhubedi	159 034	76 619	1 575	237 228
S E Kobola	159 034	76 619	15 227	250 880
T Raphaswana	159 034	76 619	37 442	273 095
M D Meso	159 034	76 619	7 526	243 179
G M Sepheso	159 034	76 619	16 336	251 989
M D Marutha	159 034	76 619	61 410	297 063
M P Tloubatatla	159 034	76 619	1 413	237 066
S R Nakana	159 034	76 619	28 346	263 999
N MHopane	159 034	76 619	900	236 553
	<b>7 299 566</b>	<b>3 305 738</b>	<b>526 185</b>	<b>11 131 489</b>

#### 2016

##### Remuneration of Councillors

Mayo (M p Makgato) remuneration , pension , cellphone allowance and housing allowance	812 018
Speaker ( L Moabelo) remuneration , pension , cellphone allowance and housing allowance	758 319
Chief Whip ( P Rakunu) remuneration , pension , cellphone allowance and housing allowance	644 886
Councillors allowance and remuneration	6 481 431
Disbursements of councillors	351 218
	<b>9 047 872</b>

Related party per Councillor	Basic Salary	Allowances	S & T	Total 2016
MP Makgato	581 218	230 800	7 425	819 443
L Moabelo	464 975	191 823	108 496	765 294
P Rakubu	435 914	182 137	31 110	649 161
M.P Paya	240 869	104 757	22 600	368 226
D Lehong	225 155	99 520	35 540	360 215
D Matlou	240 869	104 757	3 991	349 617
R Moseamo	240 869	104 757	45 885	391 511
A Phihlela	240 869	104 757	10 658	356 284
M Mapara	175 173	82 859	-	258 032
S Senwamadi	175 173	82 859	7 032	265 064
N G Makgalo	175 173	82 859	1 087	259 119
M Tawana	175 173	82 859	5 564	263 596
C Matjee	175 173	82 859	3 293	261 325
P Mehale	175 173	82 859	7 368	265 400
JHlapa	175 173	82 859	-	258 032
M P Nkoana	175 173	82 859	2 025	260 057
A Moyo	175 173	82 859	-	258 032
M Maila	175 173	82 859	17 610	275 642
N E Ramalepe	175 173	82 859	2 612	260 644
A Mahlophe	175 173	82 859	1 125	259 157
E Rahlana	175 173	82 859	13 715	271 747
A Makgoka	175 173	82 859	19 816	277 848
M Masekela	175 173	82 859	-	258 032
M Malema	175 173	82 859	3 141	261 173
M E Mphelo	175 173	82 859	-	258 032
N W Seakamela	175 173	82 859	-	258 032
M Duba	175 173	82 859	1 125	259 157
	<b>5 999 025</b>	<b>2 697 629</b>	<b>351 218</b>	<b>9 047 872</b>

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#### 40. Change in estimate

##### Property, plant and equipment

The useful life of certain other property plant and equipment was estimated in 2016 to be 5 years. In the current period management have revised their estimate to 7 years. The effect of this revision has decrease the depreciation charges for the current period by R 943 554 and increase the future periods by R 943 554

#### 41. Prior period errors

##### Statement of Financial Position

##### Property Plant and Equipment

Balance previously reported	147 060 865
Depreciation incorrectly calculated on highmast asset	22 507
Restated Balance	<u>147 083 372</u>

##### Property plant and equipment - Cost

Balance previously reported	174 196 621
Community buildings amount disclosed as part of accumulated depreciation - no impact on carrying value	(168 561)
Taxi rank amount disclosed as part of accumulated depreciation - no impact on carrying value	(698 210)
Restated Balance	<u>173 329 850</u>

##### Property plant and equipment - Accumulated depreciation

Balance previously reported	(27 135 756)
Community buildings amount disclosed as part of accumulated depreciation - no impact on carrying value	168 561
Taxi rank amount disclosed as part of accumulated depreciation - no impact on carrying value	698 210
Restated Balance	<u>(26 967 195)</u>

##### Payables from exchange transactions

Balance previously reported	10 012 606
Vat not recognised in prior year	9 281
Restated Balance	<u>10 021 887</u>

##### Finance Lease Liability

Balance previously reported	299 325
Recalculated lease period on amortisation table	192 834
Restated Balance	<u>492 159</u>

##### Accumulated Surplus - 2016

Balance previously reported	(133 335 891)
Depreciation re-calculated on highmast	(22 507)
Finance charges re-calculated on finance lease for 2016 year	(35 295)
Correction of interest paid	(251)
Restated Balance	<u>(133 371 437)</u>

##### Accumulated Surplus - 2015

Balance previously reported	(121 061 586)
Finance charges re-calculated on finance lease for 2015 year	157 538
Provision for bad debt i.r.o. cdm water debtors for 2014	9 532
Restated Balance	<u>(120 894 516)</u>



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#### 41. Prior period errors (continued)

##### 41. Prior period errors (continued) Statement of Financial Performance

###### Depreciation and Amortization

Balance previously reported	7 569 281
Depreciation re-calculated on highmast	(22 507)
Restated Balance	<u>7 546 774</u>

###### Finance Charges

Balance previously reported	890 826
Finance charges re-calculated on finance lease for 2016 year	35 295
Correction of interest paid	(251)
Restated Balance	<u>925 870</u>

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#### 42. Risk management

##### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	16 174 673	-	-	-
Other financial liabilities	825 096	-	-	-

##### Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Balances past due not impaired:

Non-Exchange Receivables	2017 Percentage	2017 Amount	2016 Percentage	2016 Amount
Rates	100,00%	56 605 138	100,00%	36 287 363
Exchange Receivables	2017 Percentage	2017 Amount	2016 Percentage	2016 Amount
Electricity	30.72%	5 048 021	22.26%	4 085 044
Refuse	41.75%	6 861 800	22.18%	5 229 981
Other	27.52%	4 522 478	55.56%	3 194 191
	100	16 432 299	100,00%	12 509 216

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#### 42. Risk management (continued)

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 8 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at 15% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

Non-Exchange Receivables		2017	2017 Amount	2016	2016 Amount
		Percentage		Percentage	
Rates		100%	20 833 233	100,00%	19 811 511
Exchange Receivables		2017	2017 Amount	2016	2016 Amount
		Percentage		Percentage	
Electricity		33.3%	2 618 253	32.6%	2 230 840
Refuse		39.2%	3 082 818	41.8%	2 856 089
Other		27.5%	2 165 107	25.5%	1 744 346
		100%	7 866 178	100,00%	6 831 275

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (NEDBANK). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

#### Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

#### Foreign exchange risk

The municipality does not engage in foreign currency transactions.

#### Price risk

The municipality is not exposed to price risk

## Molemole Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand

#### 43. Unauthorised expenditure (continued)

##### 43. Unauthorised expenditure

Unauthorised expenditure	12 424 809	31 528 847
Add: Unauthorised expenditure - Current year	3 185 417	5 931 685
Less : Amount Condoned by council	(5 931 685)	(25 035 723)
	<b>9 678 541</b>	<b>12 424 809</b>

The unauthorised expenditure for the current year relates to bad debt impairment.

##### 44. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	202 264	2 614 269
Add: Fruitless and wasteful expenditure - Current year	6 245	16 124
Less : Amount Condoned by council	(16 124)	(2 428 129)
	<b>192 385</b>	<b>202 264</b>

Fruitless and wasteful expenditure relates to interest charged on Eskom accounts.

##### 45. Irregular expenditure

Opening balance	7 674 820	22 563 367
Add: Irregular Expenditure - current year	512 734	4 209 414
Less: Amounts condoned by council	(4 209 414)	(19 097 961)
	<b>3 978 140</b>	<b>7 674 820</b>

#### 46. Additional disclosure in terms of Municipal Finance Management Act

##### Contributions to organised local government

Current year subscription / fee	806 190	765 543
Amount paid - current year	(806 190)	(765 543)
	-	-

##### Audit fees

Current year subscription / fee	1 925 948	2 487 510
Amount paid - current year	(1 925 948)	(2 487 510)
	-	-

##### PAYE and UIF

Current year subscription / fee	11 810 141	11 471 295
Amount paid - current year	(11 810 141)	(11 471 295)
	-	-

##### Pension and Medical Aid Deductions

Current year subscription / fee	10 264 249	8 807 622
Amount paid - current year	(10 208 553)	(8 807 622)
	<b>55 696</b>	<b>-</b>

## Molemole Local Municipality

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#### 46. Additional disclosure in terms of Municipal Finance Management Act (continued)

##### VAT

VAT receivable	11 435 039	9 226 290
VAT payable	(4 256 329)	(3 764 049)
	<b>7 178 710</b>	<b>5 462 241</b>

All VAT returns have been submitted by the due date throughout the year.

##### Councillors' arrear consumer accounts

During the year no councillors had arrears accounts outstanding for more than 90 days at 30 June 2017:

During the year no councillors' had arrear accounts outstanding for more than 90 days.

##### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

<b>Incident</b>		
Sole Supplier	2 509 785	1 622 146

#### 47. Financial Instruments

Financial Assets	Classification	2017	2016
<b>Investments</b>			
Fixed Deposit	Held to maturity	-	-
<b>Consumer Debtors</b>			
Trade receivables from exchange transactions	Financial instruments at amortised cost	7 866 857	5 677 940
Other receivables from exchange transactions	Financial instruments at amortised cost	36 481 722	19 655 067
Call Deposits	Financial instruments at amortised cost	55 606 545	35 424 978
<b>Bank Balances and Cash</b>			
Cash Floats and Advances	Financial instruments at amortised cost	557	9 347
<b>Summary of Financial Assets</b>		<b>- 99 955 681</b>	<b>60 767 332</b>

Financial Liability	Classification	2017	2016
<b>Long-term Liabilities</b>			
<b>Trade Payables</b>			
Trade Creditors	Financial instruments at amortised cost	16 174 673	10 021 887
<b>Bank Balances and Cash</b>			
Bank Balances	Financial instruments at amortised cost	55 607 102	31 324 599
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Financial instruments at amortised cost	-	-
Capitalised Lease Liability	Financial instruments at amortised cost	294 229	492 159
<b>Summary of Financial Liability</b>		<b>- 72 076 004</b>	<b>41 838 645</b>

## Molemole Local Municipality

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### Notes to the Annual Financial Statements

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#### 48. Distribution Losses

##### Electricity Distribution Losses (Units)

Units Purchased	6 277 179	6 620 829
Units Sold	5 179 269	3 912 469
Units Loss	1 097 910	2 708 359
Percentage distribution loss	17%	41%

## Molemole Local Municipality

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### 1. Schedule of Contingent Liabilities ( Refer Note 38 )

Name of Legal Rep	Litigation	Nature of Dispute	Status	Projected	Projected Estimates 2017	Projected Estimates 2016
None	Van Vuuren	Claim for damages of over R7.4m as a result of road accident on R36 Morebeng	Pending	The municipality received a letter of demand from Adams & Adams but the claim was disputed	100 000	100 000
SC Mdhuli Attorneys 015 291 5440	NFM Consulting	NFM claiming R447 000 and interdict against appointment of consultant on Rmakgopa-Eisleben Road	Pending	The municipality opposed the application and the matter is pending	100 000	100 000
AM Carrim Attorneys 015 293 1700	Badau Film & video production	Claim for damages of R1 560 841-10	Pending	Summons issued and pleadings exchanged. Matter set-down for the 28th August 2015	150 000	150 000
SC Mdhuli Attorneys 015 291 5440	Sinthumule Nkhumeleni	Claim for unlawful confiscation and impounding of the Plaintiffs vehicle alleging lack of necessary permit. the Plaintiff is claiming loss of income of R100 000 , plus 9% interest per annum and cost of suit.	Pending	Summons issued and pleadings exchange . The Municipality is disputing the claim	100 000	0
SC Mdhuli Attorneys 015 291 5440	Illegal occupants at Mogwadi	Interdict illegal occupants at Mogwadi portion of portion 2 of the remaining extent of the farm Deutschland 69	Pending	The sheriff has issued and order for illegal occupants to vacate the occupied land and a signboard to that effect has been erected on the affected vacant area.	70 000	0
DA Mohuba		Municipality opposed application instituted by Sekgola & 19 others Case NO 655/2017	Pending	The application was postponed sine die agreement of parties	100 000	0

\* See Note 41

## Molemole Local Municipality

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### Supplementary Information

Np Mohale /	Municipality requested	Pending	We were instructed to	100 000	0
	us to pursue file and safeguard the interests and possible litigation of the matter in Case No: 56893/16	Pending	peruse the Court papers and await further Consultation and instructions		
Pratt Lytt & De Lange Attorneys 015 297 0186	Matebele Dinare Construction	Interdict against the municipality on Phase 2	Mandate of MG Phatudi Attorneys withdrawn. Municipality was ordered to make use of Matebele Dinare on phase 2. National Treasury engaged to mediate on the matter.	60 000	50 000
Pratt Lytt & De Lange Attorneys 015 297 0186	Mabohlatjana Community	Urgent interdict against CDM	Municipality cited as second respondent and main relief from CDM in the portion 2 of the farm Duitschland 169 LS	60 000	60 000
None	Ga Mohale CPA / HD Du Preeze Boedary	Claim for evicting HD Du Preeze by Ga Mohale CPA	The municipality is cited as the land falls within its jurisdiction. The municipality be ordered to provide alternative accommodation for the people staying in the farms	50 000	50 000
SC Mdhuli Attorneys 015 291 5440	Rammbuda Nditsheni Joseph	Claim for unlawful confiscation and impounding of the Plaintiffs Vechile alleging lack of necessary permit . The Plaintiff is claiming loss of income of R100 000 , plus 9% interest per annum of cost of suit.	Summos issued and pleadings exchanged . The Municipality is disputing the claim	100 000	0
1				990 000	510 000

\* See Note 41



## **Molemole Local Municipality**

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Annual Financial Statements for the year ended 30 June 2017

### **Supplementary Information**

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\* See Note 41

## Molemole Local Municipality

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### Supplementary Information

#### 2. Schedule of Contingent Assets ( Refer Note 38 )

Name of Legal Rep	Litigation	Nature of Dispute	Status	Projected	Projected Estimates 2017	Projected Estimates 2016
Mdhuli Attorneys 082 802 8439	MH Hlako	Municipality issued summons for recovery of undue performance bonus paid	Pending	Matter was set-down for 26 June 2015 but withdrawn due to settlement proposal by Mr Hlako	160 000	150 000
Mdhuli Attorneys 082 802 8439	MH Hlako	Eviction from municipal house	Pending	Eviction papers drafted and issued but could not proceed due to the PIE Act.	160 000	150 000
Pratt Lytt & De Lange Attorneys 015 297 0186	Matebele Dinare Construction	Municipality issued summons for recovery of unjustified enrichment of R2 79 529-50	Pending	Pleadings exchanged. Matebele Dinare applied for exception of the summons	50 000	30 000
Pratt Lytt & De Lange Attorneys 015 297 0186	PW Mokgehele and others	Eviction from municipal land	Pending	The municipality instituted eviction proceedings in Polokwane High Court and the matter was dismissed with costs. Further went to the Pretoria High court and the matter was dismissed with costs	150 000	100 000
1					520 000	430 000

\* See Note 41